Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Review of the Definition of Universal Service	)	

To: The Joint Board

COMMENTS OF
SANDWICH ISLES COMMUNICATIONS, INC.

Sandwich Isles hereby submits its comments on the review of the definition of universal service, as requested by the Joint Board in its Public Notice in the above-captioned proceeding. In the Public Notice, the Joint Board seeks comment on what services, if any, should be added to or removed from the list of core services eligible for federal universal service support and how those core services should be defined.

Sandwich Isles will comment on how the definition of universal service, specifically, the definition of " Access to interexchange service" should be modified to include the use of transport facilities in insular areas.

I. Sandwich Isles Communications, Inc. - Background

The " Hawaiian Homes Commission Act (HHCA) of 1920" was passed by the United States Congress and signed into law on July 9, 1921, by President Harding (USC 42, 42 Stat 108). The Act reserved 203,500 acres, " more or less," of public lands in the Territory of Hawaii for homesteading by native Hawaiians. These lands, called the Hawaiian Home Lands (HHL), include 69 non-contiguous parcels located on the 6 major Hawaiian Islands. Today the HHL are being developed by the Department of Hawaiian Home Lands (DHHL) for residential, agricultural, pastoral, and commercial use by native Hawaiian beneficiaries. The DHHL is responsible for maintaining the integrity of the HHCA in administering its programs.

Sandwich Isles is a native Hawaiian-owned company. It was founded in 1995 in response to a request from the DHHL to provide modern telecommunications infrastructure and services to its beneficiaries. The only other local exchange carrier operating in the State of Hawaii at that time required significant " contributions to aid construction" from DHHL to construct new infrastructure to serve the HHL. In effect, the other carrier was not serving the HHL where new communities were being planned and developed. And as of this date, only a small percentage of the HHL have been developed by the DHHL - much remains to be

done in the way of deploying new telecommunications infrastructure.

DHHL granted Sandwich Isles a license to build, operate, and connect all HHL parcels statewide with a network that will deliver modern telecommunications services to all HHL residents. Sandwich Isles was granted a Certificate of Authority by the State of Hawaii Public Utilities Commission to provide intraLATA and intrastate telecommunications services in the State of Hawaii on lands administered by DHHL. And by Order of the Federal Communications Commission (FCC), Sandwich Isles participates in the National Exchange Carrier Association (NECA) pools and tariffs and for regulatory purposes its service territory in Hawaii is recognized as a study area.

The DHHL has 29,000 applications for beneficiary leases and 6,500 existing leases. Sandwich Isles has invested $41M in its network, to date, to bring service to the HHL. The U.S. Department of Agriculture Rural Utilities Service (RUS) has provided low interest loans and Sandwich Isles has obtained additional private financing to fund the network, which meets all of the design and engineering criteria of RUS. In addition, as an RUS borrower, Sandwich Isles is prohibited from charging DHHL with " contributions to aid construction." So DHHL resources are freed up to provide the basic infrastructure, such as roads, water, and electricity, for new communities on the HHL.

As a rural Eligible Telecommunications Carrier (ETC), Sandwich Isles is receiving federal universal service support, which, along with its participation in the NECA pools has enabled Sandwich Isles to offer affordable telecommunications service to consumers residing on the HHL. Sandwich Isles is currently serving 8 new HHL communities and 7 more new communities are planned for service within the next year.

II. Insular Nature of Hawaiian " Neighbor Islands" and Alaskan Bush

In contrast with the " Lower Forty-eight," the Hawaiian Islands and Alaska are lacking the highway systems that set out a natural grid for the deployment of fiber transport infrastructure. This highway grid system makes even the most remote rural points within the " Lower Forty-eight " along the way to or between major urban centers.

The interstate and state highways that were the pathways for deployment of a modern-day Information Superhighway have no counterpart in Hawaii and Alaska. Instead, construction of transport facilities can only be accomplished by meeting the challenges and incurring the costs necessary to cross oceans, volcanic islands, mountains, and a vast wilderness region to reach pockets of civilization. These small villages must be linked to other consumers and businesses

throughout America to fulfill the mandate of the Telecom Act of 1996.

The " Lower Forty-Eight" also has the advantage, even in the most rural western states, of large numbers of incumbent local exchange carriers (ILECs) serving side-by-side in contiguous franchise service areas. Taken together these franchise service areas comprise the vast majority of a state inhabited geographic area. The ILECs operating in these rural areas have banded together to create statewide networks (e.g. Iowa Network Services, Minnesota Equal Access Network Services, Kansas Independent Networks, Inc. and others) for the purpose of linking the small towns and rural communities throughout the state. The consumers residing in these rural areas have benefited as a result.

Contrast again Hawaii. Only one small carrier, Sandwich Isles Communications, Inc. has a business plan and commitment to serve the rural areas of Hawaii. Sandwich Isles has designed a network of approximately 700 miles of fiber transport, both terrestrial and undersea, which will connect the HHL throughout the 6 major Hawaiian Islands. These facilities will serve as a " backbone" and effectively ensure the delivery of telecommunications services throughout the neighbor islands.

GTE, the predecessor to Verizon that serves Hawaii, clearly had no interest in serving the very rural areas of America, as evident by their sales of hundreds of thousands of access lines to smaller ILECS over the last decade. And

on October 22, 2001, Verizon announced its intent to sell 675,000 access lines in rural Alabama and Missouri. Again, it is evident that Verizon business plans do not include aggressively serving rural America. So, the challenge of deploying modern transport infrastructure to the rural areas of Hawaii, and particularly throughout the neighbor islands, will likely fall on Sandwich Isles.

Contrast again Alaska. There rural ILECS serve the Alaskan bush. And given the vast wilderness and distances between villages, each carrier must go it alone to provide transport linking these remote locations to the more "urban" population centers and the larger national carriers located only in urban markets.

III. Support Needed for Transport Facilities in Insular Areas Used to Access Interexchange Services.

In its Report and Order adopted in 1997, the Commission provided the current definition of "core" or "designated" services to be supported by federal universal service support mechanisms, which includes "Access to interexchange service." Sandwich Isles believes that for insular areas, like the neighbor islands of Hawaii and the Alaskan bush, access to interexchange service should be defined to include use of transport facilities.

The United States Congress passed the Telecom Act of 1996 and, in addition to promoting competition within the

telecommunications industry, the Act also equally recognizes the need to ensure universal service. Universal service can be summed up as providing the opportunity for any American to have access to local and long distance telephone services at affordable rates. Universal service - maximum connectivity - was reaffirmed as a national public policy goal. Section 254(b)(3) of the Act reads as follows:

> *(3) Access in rural and high cost areas*
>
> *Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.*

Congress went a step further in emphasizing the needs of consumers in insular areas in its Joint Explanatory Statement. Therein (Statement at 131) Congress directed the Joint Board and the FCC to <u>consider consumers in insular areas</u> (emphasis added) when developing support mechanisms for consumer access to telecommunications and information services.

In response to the Telecom Act, the FCC put in place a nationwide system of funding to ensure universal service.

Through federal regulatory process (i.e., CC Docket 96-45) the FCC has established support for high-cost loops, for additional high costs associated with the NECA Common Line pool, and for telecommunications switching costs in rural areas. However, the Joint Board and FCC have not yet considered and addressed the additional need to support the cost of transport facilities to further ensure the delivery of telecommunications services to insular areas, specifically, the neighbor islands of Hawaii and the Alaskan bush.

The high cost of transporting telecommunication services to consumers in remote areas of Hawaii and Alaska has the potential to make telephone service rates inordinately high or services unavailable. In addition, transport network infrastructure is not likely to be deployed by the telecommunications carriers serving these areas, given these high cost characteristics, because services could not be made available at affordable rates.

This will perpetuate an isolated existence for consumers residing in insular areas. It will slow economic development in these remote areas and lessen overall quality of life, including health and education. A connection to the broader community, and most certainly a global community, will be absent, taking away the opportunity for individuals and communities to grow and develop through participation.

To fund the cost of transport facilities in Hawaii and Alaska, the FCC should establish an additional universal service support mechanism. The FCC recognized in its Report and Order adopted in 1997, that other factors may need to be considered with regard to providing adequate telecommunications service in insular areas, like the neighbor islands of Hawaii and the Alaskan bush. Continuing the current universal service program for rural America and rural ETCs, which program is foundational, effective, and efficient, " Insular Area Transport Support" should become an added element of rural universal service funding.

IV. Conclusion

Funding the high cost of transport in insular areas, like the neighbor islands of Hawaii and the Alaskan bush, is consistent with Congress intent for the Joint Board and the FCC to consider consumers in insular areas when developing support mechanisms for consumer access to telecommunications and information services. And without such funding, it would be difficult, if not impossible, to fulfill the mandate of the Telecom Act of 1996, which established the principle in Section 254(b)(3) that consumers in rural, insular, and high cost areas should have access to interexchange service at rates that are reasonably comparable to rates charged for similar services in urban areas.

The State of Hawaii has natural resources that could benefit not only the nation but also the global community. Hawaii has a unique proximity reaching from the heavens to the ocean depths. For example, our observatories on the Big Island provide an ideal vantage point for exploration of the solar systems and may be instrumental in explaining some of the mysteries of the universe. Sharing data and contributing to a scientific body of knowledge on a global basis will be enhanced with the capability to transport data and images from the Big Island through modern telecommunications infrastructure.

The deep waters of the Pacific Ocean off the shores of Hawaii are an abundant source of numerous strains of algae, which someday may become a significant component of new food supplies. And our proximity to East and West make Hawaii a logical site for the blending of Eastern and Western medicines and health care. A biotechnology center is already in the planning stages to further our progress in these areas.

To pioneer research and create global synergies within the scientific and medical communities will require modern telecommunications infrastructure. " Insular Area Transport Support" could become instrumental in paving the way for humanitarian advances, originating even in the most remote regions of Hawaii.

Respectfully submitted,

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